

Australia – India Intergovernmental Relations

Current intergovernmental exchange

- 2.1 The current state of the Australia-India relationship has been usefully and succinctly summarised in a submission to the Committee's inquiry from DFAT as 'never in better shape.' More precisely this assessment is in terms of;

The standards generally used to measure bilateral relations (high-level political visits, trade and investment flows and interaction between communities and business).¹

- 2.2 The impetus for this improved state of bilateral relations has been changes in the global strategic outlook brought about by the end of the Cold War. These days, Indian foreign policy is 'based increasingly on careful national interest calculations rather than ideology – as had been substantially the case earlier.' With India aspiring to become:

An integral member of the foreign and security policy institutions that shape the regional and global order, including the UN Security Council and the G8. It is also a member of the East Asia Summit and the ASEAN Regional Forum.²

- 2.3 In its 2008 Submission DFAT also noted that:

1 Department of Foreign Affairs and Trade (DFAT), *Submission No. 21, Sub. Vol. 1* p.177.

2 DFAT, *Submission No. 21, Sub. Vol. 1*, p. 176.

Australia supports India's permanent membership of the UNSC and its inclusion in APEC when the membership moratorium ends.³

2.4 As part of this wider policy of strategic engagement, India has sought increasingly co-operative relations with the United States and under its 'Look East' policy has also made engagement with the countries of North and South East Asia (encompassing Australia and New Zealand) a priority.

2.5 At the economic level, India has been active in negotiating regional trade agreements with ASEAN countries as well as with ASEAN as a whole. Free Trade Framework Agreements are in place between India and Singapore, Thailand and ASEAN itself and Joint Study Groups have been set up to facilitate further agreements between India and both Malaysia and Indonesia.⁴ The 2008 Submission also notes that 'negotiations on a Japan-India FTA are well advanced'.⁵

2.6 As noted elsewhere in this Report, underscoring these active bilateral and multilateral engagements is the perception that India's demographic weight and high economic growth rates are likely to be sustained.

2.7 In recognition of the shared democratic values of Australia and India and in answer to a question from the Committee about general government to government exchanges 'at the political level', in the form of a 'political exchange program', the Australia-India Council noted that:

The Australian Political Exchange Council, which is part of the Department of Finance and Administration, has an agreement with the Indian Government, which is being worked through at the moment, to facilitate exchange.⁶

Governmental exchanges at the ministerial level

2.8 The visit to India of then Prime Minister the Hon John Howard, MP on 5-8 March 2006 served as the occasion for concluding a series of high level agreements. During his visit the Prime Minister witnessed the signing of a Trade and Economic Framework, a Civil Aviation

3 DFAT, *Supplementary Submission No 21a*, p.5

4 DFAT, *Submission No. 21, Sub. Vol. 1*, p. 176.

5 DFAT, *Supplementary Submission No 21a*, p.5

6 Australia-India Council, DFAT, Ms Carol Robertson, *Transcript, 13 October 2006*, p. 21.

Agreement and Memoranda of Understanding (MOU) on Defence Cooperation, Customs and Biotechnology.⁷ In association with the visit Austrade organised a 20 person high level business delegation to accompany the Prime Minister to New Delhi, Mumbai and Chennai. Austrade organised itineraries for the business delegates and the program included meetings with Indian ministers and business leaders:

During the visit four companies announced new offices in India (Leightons, Linfox, Macquarie Equities, Hydro Tasmania) and one company (Santos) announced a major commercial collaboration with an Indian company Reliance Industries for resource exploitation.⁸

- 2.9 In addition to visits undertaken during the former government, the current Australian Government has been committed to engaging with India on a 'strategic long term basis'.⁹

Visits to India by the Minister for Trade (Mr Crean) in January 2008 and the Minister for Foreign Affairs (Mr Smith) in September 2008 underlined the Government's firm commitment to substantially increase collaboration in a wide range of areas. During Mr Smith's visit, India agreed to take the level of relations to a strategic partnership and work towards this objective. This is a term that India uses to characterise its most important bilateral partnerships, including with the United States, the European Union, China and Japan.¹⁰

- 2.10 Concurrently, there have been increasing numbers of ministerial meetings at both the federal and state levels. In addition to meetings involving the Minister for Foreign Affairs, the DFAT submission notes ministerial level visits from Ministers for Immigration and Multicultural Affairs, Communications, Information Technology and the Arts, Tourism and Small Business and Agriculture, Fisheries and Forestry. Ministerial level visits are underlined by official level exchanges in the form of:

Joint working groups which provide strategic direction in areas such as energy and resources, tourism, education, science and technology and ICT.¹¹

7 DFAT, *Submission No. 21, Sub. Vol. 1*, p.177.

8 Austrade, *Submission No. 22, Sub. Vol. 1*, p. 194.

9 DFAT, *Supplementary Submission No 21a*, p.6

10 DFAT, *Supplementary Submission No 21a*, p.6

11 DFAT, *Transcript, 3 November 2006*, p.17.

- 2.11 In its 2008 Submission, DFAT detailed the following Ministerial level contacts:

Seven Indian Ministers visited Australia in the first half of 2008 (the ministers for trade and commerce, science and technology, civil aviation, steel, food processing, youth affairs and sport, and external affairs) highlighting the breadth and depth of existing and potential economic links.

Major high-level meetings in 2008 have included the Joint Ministerial Commission, co-chaired by Mr Crean and India's Minister for Commerce and Industry, Kamal Nath, in May and the Foreign Ministers' Framework Dialogue, which Mr Smith cochaired with Indian Minister of External Affairs, Pranab Mukherjee, in Canberra in June. The Joint Ministerial Commission covered the WTO Doha Round, as well as key regional and bilateral trade issues. Mr Crean and Mr Nath witnessed the signing of a Memorandum of Understanding (MoU) on intellectual property cooperation and welcomed new bilateral dialogues and exchanges on economic policy and competition policy. They also agreed to establish a bilateral CEO Forum.¹²

- 2.12 Initiatives agreed at the June 2008 Foreign Ministers' Framework Dialogue included commitments to facilitate public sector linkages between Australia and India including a bilateral water dialogue, the set up of a working group on Visa, Consular and Passport matters and the signing of two treaties on extradition and co-operation in criminal law matters.¹³

- 2.13 In answer to a question from the Committee about where, in his opinion, government to government links could be most usefully focussed, Mr Cameron Clyne of the National Australia Bank noted that for his business to participate in rural sector finance in India where there was an obvious market, 'government to government engagement' was required to open up the sector to foreign investment.¹⁴

- 2.14 With respect to trade matters, DFAT reports that Australia-India trade has experienced a renaissance in recent times:

Two-way trade in goods and services has grown at a breakneck average annual rate of 28.1 per cent over the five years to 2007.

12 DFAT, *Supplementary Submission No 21a*, p. 6

13 DFAT, *Supplementary Submission No 21a*, pp. 6-7

14 Mr Cameron Clyne, National Australia Bank (NAB), *Transcript*, 13 October 2006, p. 7.

India was Australia's 10th largest trading partner in 2007, with two-way trade at \$13.3 billion.¹⁵

- 2.15 The Commonwealth Department of Education, Science and Training submission refers to ministerial initiatives involved in opening up opportunities for the Australian higher education sector in India's developing market for tertiary education services and research links:

Over recent years, increasing numbers of educational institutions have been visiting India to develop relationships with counterpart institutions. Further, visits by State government delegations and Ministers have also increased.¹⁶

- 2.16 Government to government relations in the education sector are underpinned by three MOUs. The first memorandum on education and training cooperation, entitled the Education Exchange Programme Agreement, was signed by the then Minister for Education Science and Training, the Hon Dr Nelson MP, in October 2003 and covers areas such as staff and student exchange, joint seminars and conferences. Another memorandum signed at the same time covers science and technology cooperation. A further such agreement on biotechnology cooperation was signed during the then Prime Minister's visit to India in March 2006.¹⁷

State and official level exchanges

- 2.17 Governmental links between Australia and India at the Prime Ministerial and Ministerial levels have been complemented by a variety of links at the State and official levels. The DFAT submission mentioned several state level visits to India including visits from the Premiers of Western Australia and South Australia. The Queensland Government submission noted that the then Premier Beattie was the first Queensland Premier to make an official visit to India when he visited Mumbai and Bangalore in February 2003 and again in September 2004.¹⁸
- 2.18 At the hearing on 3 November 2006, DFAT officials told the Committee that:

15 DFAT, "The growing importance of Australia-India Trade" DFAT Website, http://www.dfat.gov.au/trade/focus/080606_au_io_trade.html

16 Department of Education, Science and Training, *Submission No. 33, Sub. Vol. 2*, p. 332.

17 Department of Education, Science and Training, *Submission No. 33, Sub. Vol. 2*, p. 335.

18 Queensland Government, *Submission No. 27, Sub. Vol. 1*, p. 278.

The architecture of the political relationship is well developed. We have more or less annual foreign ministers framework dialogue meetings and we have meetings between the trade ministers in the context of the joint ministerial commission, also meant to be held on a regular basis. We also have annual senior officials talks and strategic dialogue.¹⁹

- 2.19 The supplementary submission received from DFAT in 2008 outlined the following State and official visits:

There have been a number of senior-level visits at a State level in 2008, including visits to India by the Premier of South Australia and the Deputy Premier of Western Australia. It will be important to maintain a steady rhythm of visits and other exchanges throughout the rest of 2008 and beyond.

At the officials' level, bilateral relations are underpinned by regular Senior Officials' Talks and a Strategic Dialogue (last held in Canberra in February 2008). Senior officials from DFAT, Treasury, AQIS, Department of Resources, Energy and Tourism, AusAID and CSIRO have visited India in 2008, as have a range of seniorlevel defence personnel. In addition, a series of bilateral joint working groups promote progress in key economic sectors, for instance minerals and energy, education and science.²⁰

- 2.20 The submission from the Government of Western Australia detailed several ministerial level exchanges between that State and the Government of India. Ministerial level meetings focussed on energy resources, the mining industry sector and trade and commerce generally.²¹ The then West Australian Premier, Mr Geoff Gallop, was the first to make an official visit to India in October 2005.

- 2.21 The Department of Agriculture and Food of Western Australia, in a submission to the Committee, noted as a general observation that both State and Federal governments can derive benefits from direct linkages between Australian and Indian governmental agencies, particularly those concerned with Indian agricultural reform:

Particularly as this could translate among other trade benefits, into reciprocity by India in reducing tariff and non-tariff trade barriers for Australian agribusiness exports to India.²²

19 DFAT, *Transcript*, 3 November 2006, p. 17.

20 DFAT, *Supplementary Submission 21a*, p. 7

21 Government of Western Australia (WA), *Submission No. 25, Sub. Vol. 1*, pp. 217-218.

22 Government of WA, Department of Agriculture and Food, *Submission No. 25, Sub. Vol. 1*, p. 237.

The Western Australian government has engaged in a number of such initiatives including training and research programs.²³

- 2.22 The WA Government, through the Department of Industry and Resources, has operated a Western Australian Trade Office in Mumbai since 1996, with a satellite office in Chennai and was the first state to open a trade office in India. This initiative has been complimented by a large number of official visits. The WA Government's submission to the Committee noted that the state links were to encourage the diversification of its exports to India (95 per cent of which consist of non-monetary gold), and to seek out specific market opportunities.²⁴
- 2.23 In addition to DFAT, a number of other Australian Government agencies contribute to promoting Australia's trading opportunities with India. These include the Department of Industry, Tourism and Resources, Tourism Australia, Department of Education Science and Training (DEST), Department of Immigration and Citizenship, Departments of Defence (DoD), Communications, Information Technology and the Arts, and the Department of Agriculture, Fisheries and Forestry.²⁵
- 2.24 The first Australia-India Joint Working Group on Education and Training Cooperation under the terms of the MOU (see paragraph 2.11 above) was held in Canberra on 24 May 2005 where further areas for potential cooperation were identified and agreed including collaborative research in educational policy, research student exchange, institutional cooperation and capacity building in vocational and technical education, distance education as well as the recognition of qualifications.²⁶
- 2.25 The DEST Submission noted that, in general:
- Australia and India have a positive and cooperative bilateral education relationship, facilitated by strong government to government links and institutional cooperation.²⁷
- 2.26 The submission from the Government of Queensland noted a number of Australia/India government to government links. A total of seven trade delegations had been sent to India sponsored by the

23 Government of WA, Department of Agriculture and Food, *Submission No. 25, Sub. Vol. 1*, p.236.

24 Government of Western Australia, Department of Industry and Resources, *Submission No. 25, Sub. Vol. 1*, pp. 218-9.

25 Austrade, *Submission No. 22, Sub. Vol. 1*, p.193.

26 Department of Education, Science and Training, *Submission No. 33, Sub. Vol. 2*, p. 335.

27 Department of Education, Science and Training, *Submission No. 33, Subs. Vol. 2*, p. 332.

Queensland Government during 2004 and 2005. Also, members of a higher education delegation led by the Queensland Education Minister attended a medical research and biotechnology conference in India in March 2006. A Queensland Government Trade and Investment Office opened in Bangalore in 2003 with another office to be opened in 2007.²⁸

Sector specific bi-lateral relations

Defence

2.27 The current defence relationship between Australia and India is focussed on strategic dialogue, senior level visits and staff college exchanges. It is possible that the relationship may extend to some limited practical service to service activities. Possible areas of mutual strategic interest include maritime security, counter-terrorism and peacekeeping.

2.28 Defence officials noted India's strategic preoccupations in the following terms:

As India's economic and military influence increases, its capacity to shape and contribute to our national influence grows...we aim to encourage India to contribute more and, in some instances, to work together with us in areas of mutual interest such as maritime security, counter-terrorism and peacekeeping in various parts of the world.²⁹

2.29 Under the terms of the MOU signed by the then Prime Minister Howard in March 2006, the DoD is working on some information sharing initiatives including oversight of the strategically crucial areas of the Malacca and Sunda straits and the Sulu and Celebes seas in our immediate region.

2.30 The DFAT Supplementary Submission also noted ongoing co-operation in defence and counter-terrorism matters:

In recognition of our common interests, Australia and India signed a defence cooperation MoU in 2007. At the June 2008 Foreign Ministers' Framework Dialogue, Mr Smith and Mr Mukherjee welcomed the decision to establish regular chief of defence force

28 Government of Queensland, *Submission No. 27, Subs. Vol. 2*, pp. 277 to 278.

29 Department of Defence, Mr M Pezzullo, *Transcript, 3 November 2006*, p.58.

level talks. Ongoing defence engagement with India includes senior level visits, joint working groups, and education and training exchanges. Australia is also pursuing increased defence cooperation in the areas of counter-insurgency, peace-keeping, maritime security and counter-terrorism.³⁰

- 2.31 Other areas of mutual interest include participation in multilateral naval exercises and counter-terrorism and high-altitude warfare training for Australian and Indian Special Forces. Furthermore, it is expected that mutual exchange visits involving Indian and Australian service chiefs will lead to the inauguration of some lower level joint training exercises.³¹
- 2.32 In terms of Indian strategic planning, the DoD submission notes that India seeks an increased level of regional control within the Indian Ocean. In pursuit of this goal India plans to acquire submarines, aircraft carriers and maritime surveillance aircraft over the next 20 years in order to project and sustain forces further afield. In answer to a question from the Committee about India's previously perceived defensively focussed 'continental strategy', Defence noted that India's statements of strategic intent currently recognised a more global outlook and a need to develop modern capabilities in order to protect their interests further afield.³²
- 2.33 The DoD submission also notes that Indian defence officials are, like their Australian counterparts, moving toward a network centric war fighting approach 'that plans to have the Services and their assets linked through a new command, control, communications and computer infrastructure.'³³
- 2.34 The Western Australian Government's submission details the significant defence assets based in the state and notes:
- WA is also home to half of the Royal Australian Navy's surface combatant ships and all of the Collins class submarines. With the facilities in place to support this large naval presence and WA's proximity to India, there is an opportunity to invite Indian naval vessels to WA to conduct joint and combined exercises with the RAN.³⁴ Annex D of the DoD submission details three ship visits to the port of Fremantle by Indian naval vessels between 2001 and

30 DFAT, *Supplementary Submission No 21a*, p. 10

31 Department of Defence, Mr M Pezzullo, *Transcript*, 3 November 2006, p. 59.

32 Department of Defence, Mr M Pezzullo, *Transcript*, 3 November 2006, pp. 62-3.

33 Department of Defence, *Submission No. 20, Subs. Vol. 1*, p. 165.

34 Government of Western Australia, *Submission No. 25, Subs. Vol. 1*, p. 230.

2006 and there are indications that this could increase in the future.

The Aid Relationship

- 2.35 Australia has provided a total of around \$500 million in development assistance to India since the 1950s. Since the 1980s however, the level of assistance has been relatively small and targeted to the areas of public health, HIV-AIDS education, water and sanitation. In 2003, India moved to bring bilateral donor relationships to a close and to receive specific aid through multilateral organisations. As a result AusAID has moved to deliver aid to the countries of South Asia predominately through multilateral organisations such as the UN, UNICEF, the World Bank and the Asian Development Bank. Currently official development assistance to India is about A\$10 million delivered through these channels.³⁵
- 2.36 India itself has moved to the position of aid donor in its region, (for example India provided US\$210 million during 2005-6 to Nepal, Afghanistan, Bhutan, Bangladesh, some African countries and Vietnam) and has declined assistance for the 2004 Tsunami. However, there are pockets of extreme poverty and deprivation in India as well as the on-going AIDS epidemic for which Australia has targeted assistance programs to be delivered through multilateral and non- governmental agencies. AusAID told the Committee:
- India is estimated to have the largest number of people living with HIV-AIDS, overtaking South Africa this year. If the pandemic is not controlled, it would be reasonably expected to have serious negative effects on the economic growth of the country, beyond the effects on the infected individuals.³⁶
- 2.37 Australia's participation in the fight against HIV-AIDS in the South Asia region is centred on a partnership with UNAIDS with Australia providing AUD\$10 million towards a comprehensive response to the AIDS epidemic in four north-east Indian states: Manipur, Mizoram, Nagaland and Meghalaya which are located on the border of the "Golden Triangle" opium producing region and vulnerable to infiltration by the drug trade.³⁷ More specifically, AusAID told the Committee:

35 AusAID, Mr Murray Proctor, *Transcript*, 3 November 2006, pp.47-8.

36 Aus AID, Mr Murray Proctor, *Transcript*, 3 November 2006, p. 48.

37 AusAID, Mr Andrew Adzic, *Transcript*, 3 November 2006, p. 51.

In terms of regional HIV-AIDS, our key activity has been through the UN Office on Drugs and Crime, which has targeted intravenous drug users around the region...We are about to move into phase 2 through UNAIDS. It is going to be a \$7 million activity over five years. ³⁸

- 2.38 In answer to a question from the Committee about Australian assistance in the field of agriculture, in particular noting Australia's expertise with respect to drylands agriculture, AusAID said that such programs were administered by the Australian Centre for International Agricultural Research (ACIAR).
- 2.39 ACIAR were currently administering projects of a total cost of A\$13.6 million over several years in the areas of food safety and exports, irrigation improvement, trade liberalisation and market reform, increasing cattle and sheep productivity and salinity reduction. ³⁹
- 2.40 AusAID also noted that Australia provides a source of microfinance to recipients in Bangladesh in partnership with a locally based NGO there and that 'one of the national banks' works with NGOs to make microcredit available to people in India. ⁴⁰

Research and development links

- 2.41 Australia's formal research and development links with India are administered by DEST. The most important link point is through the management of the Australia – India Strategic Research Fund(AISRF). Funding for the AISRF is provided through the Australian Scholarships initiative which provides nearly AUD\$1.4 billion over five years for educational scholarships in the Asia-Pacific region. Through the AISRF it was expected that there would be a competitive call for research proposals during 2006/7 in a number of agreed priority areas.⁴¹ The Submission from CSIRO also notes the expected benefits to that organisation from Australia's joint participation in the fund.⁴²
- 2.42 DEST notes that science and technology research in India had been traditionally concentrated in the government sector through the Ministry of Science and Technology. Recently there has been a significant increase of Indian Government funding for research.

38 AusAID, Mr Andrew Adzic, *Transcript*, 3 November 2006, p.51.

39 AusAID, Mr Peter Callan, *Transcript*, 3 November 2006, p.54.

40 AusAID, Mr Andrew Adzic, *Transcript*, 3 November 2006, p.57.

41 Department of Education, Science and Training (DEST), *Submission No. 33, Subs. Vol. 2*, p.342.

42 CSIRO, *Submission No 4, Subs Vol 1*, p. 23

During 2005-06, for example, the Indian Government allocated a sum of A\$3.8 billion for science and technology, an increase over the previous year of 24 per cent.⁴³

- 2.43 The fields of greatest emphasis for Indian governmental investment are currently information technology, biotechnology, agriculture and agri based industries and infrastructure sectors including energy, transportation, communication and housing. India is now focusing on integrating science and technology into various policies and programs covering the economic, energy, environmental and other socio-economic sectors.⁴⁴
- 2.44 In its submission to the Committee, the CSIRO noted that interactions with Indian research organisations on joint projects totalled 32 per year. Areas of association included the fields of agribusiness, environment and natural resources, radioastronomy, manufacturing and construction and minerals and energy.⁴⁵

Biotechnology and related fields

- 2.45 Official research and development links between Australia and India continue to be, like educational links, a growth point in the relationship. A 2007 survey prepared for DFAT noted that there was 'strong scope' for partnering and collaboration in numerous research fields, notably in biotechnology but also in areas such as nanotechnology and bioinformatics'.⁴⁶
- 2.46 Anticipating a surge in the Indian biotechnology market, AusBiotech signed an MOU with India's peak biotechnology industry body, the Indian Association of Biotechnology Led Enterprises (ABLE), in October 2004. An Indo-Australian Conference on Nanoscience and Nanotechnology was held in Bangalore in March 2006. Then Prime Minister Howard announced a new A\$25 million bilateral research and fellowships program and a new MOU on biotechnology was signed during his visit to India in March 2006. The new MOU will complement existing agreements between Australia and India in science and technology and education and training signed in 2003.⁴⁷
- 2.47 In evidence to the Committee, Dr Majumdar, Director, Asia, Hunt and Hunt Lawyers noted that Australia had an already established

43 DEST, *Submission No. 33, Subs. Vol. 2*, p. 344.

44 DEST, *Submission No. 33, Subs. Vol. 2*, p. 345.

45 CSIRO, *Submission No. 4, Subs. Vol. 1*, p. 21 - Specific projects are listed at pp. 22-23.

46 DFAT, Economic Analytical Unit, *India's Services Sector, 2007*, p.63.

47 DFAT, Economic Analytical Unit, *India's Services Sector, 2007*, p.63.

reputation in the biotechnology field and that India is making progress in the field of bionic stem cell research. This could be one field where research cooperation with Australia might lead to useful discoveries.⁴⁸ Other possible areas of research interest include defence aerospace technology, business law, IT and pharmaceuticals.⁴⁹

2.48 DEST's submission to the Committee also mentioned the 2006 MOU with the Indian Department of Biotechnology (DBT). As part of this agreement a Joint Biotechnology Committee has been set up.

2.49 In a submission to the inquiry, the WA Department of Agriculture and Food noted that it had participated in the Wool Industry Technology Transfer Initiative (WITTI) of 1998-2002, which provided capacity building and training of Indian university lecturers in India for the transfer of technology training for Indian wool manufacturers.⁵⁰ Other agricultural research links sponsored by the WA Government included assistance in the areas of grain and legume crops yield improvement research to various Indian universities and research institutes.⁵¹

Committee comment

2.50 The Committee notes the observation in the WA Government's submission that there is 'very little or no collaboration between Commonwealth or State governments on research and development initiatives undertaken across industry sectors in India.'⁵² Should this be the case, the Commonwealth should ensure that the appropriate agencies coordinate relevant information so that a complete picture of research cooperation initiatives involving Australia and India is maintained.

48 Hunt and Hunt Lawyers, *Transcript*, 20 September 2006, p. 21.

49 Hunt and Hunt Lawyers, *Transcript*, 20 September 2006, pp.21-22.

50 WA Government, *Submission No.25, Subs. Vol. 1*, p. 236.

51 WA Government, *Submission No. 25, Subs. Vol. 1*, pp. 236-8.

52 WA Government, *Submission No. 25, Subs. Vol. 1*, p. 238.

